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TAGS: [PREL](#) [ECON](#) [PGOV](#) [MARR](#) [HR](#)

SUBJECT: ZAGREB ACTIVITY REPORT - JULY 18

11. (U) CROATIAN SABOR SUPPORTS DEPLOYMENTS TO PEACE SUPPORT  
OPERATIONS: ISAF, KFOR AND CHAD:

In its final sitting prior to the summer recess, the Croatian Sabor voted overwhelmingly to continue its support for the participation of the Croatian Armed Forces in a variety of multilateral peacekeeping operations. The Sabor re-authorized Croatian deployments as part of the EU-led force in Chad and the continued deployment of up to 300 troops as part of ISAF in Afghanistan through 2009, and approved a newly-proposed deployment of two helicopters and 20 personnel to operate them to KFOR in Kosovo. (RHoltzapple)

12. (U) GDP GROWTH DOWN, AS EXPECTED:

Croatia's GDP growth slowed from 7.6% in the first quarter of 2007 to 4.3% in the first quarter of 2008. Personal spending saw the strongest slowdown, though government spending, household credit, and fixed capital investment also slowed. At the end of 2007, analysts had forecast a drop in GDP growth from 5.9% for 2007 to about 4.5% for 2008, so first quarter performance came in just below annual expectations. As of early July, the Croatian National Bank (CNB) was projecting an annual growth of real GDP at 4.4% for 2008, based on a 7% inflation rate. (SLitke)

13. (U) INFLATION UP, AS EXPECTED AND THEN SOME:

According to the Croatian Central Bureau of Statistics, consumer prices in June 2008 were 7.6% higher than in June 2007, for an average annual rate of 5.1%. The 7.6% rise was the highest inflation rate recorded since the index of consumer prices was introduced 8 years ago. The rise was fueled largely by price hikes in food and transportation. In response, PM Sanader announced July 16 that the government would deploy inspectors to determine who is raising prices and why, and would consider measures to cushion the shock of inflation. Croatian National Bank (CNB) Governor Rohatinski also told the press more measures were needed to hold back inflation. The rise in inflation is not unexpected; at the end of 2007, government and private analysts forecast a rise from 2.9% in 2007 to 4.5-5.2% for 2008. However, with inflation expected to continue to rise, possibly to 8.5% for July and August, some analysts have revised their forecasts to 6-7% for average annual inflation for 2008. Rohatinski told the press 7% would be a best case scenario. (SLitke)

BRADTKE